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Nation's Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

SECOND CLASS

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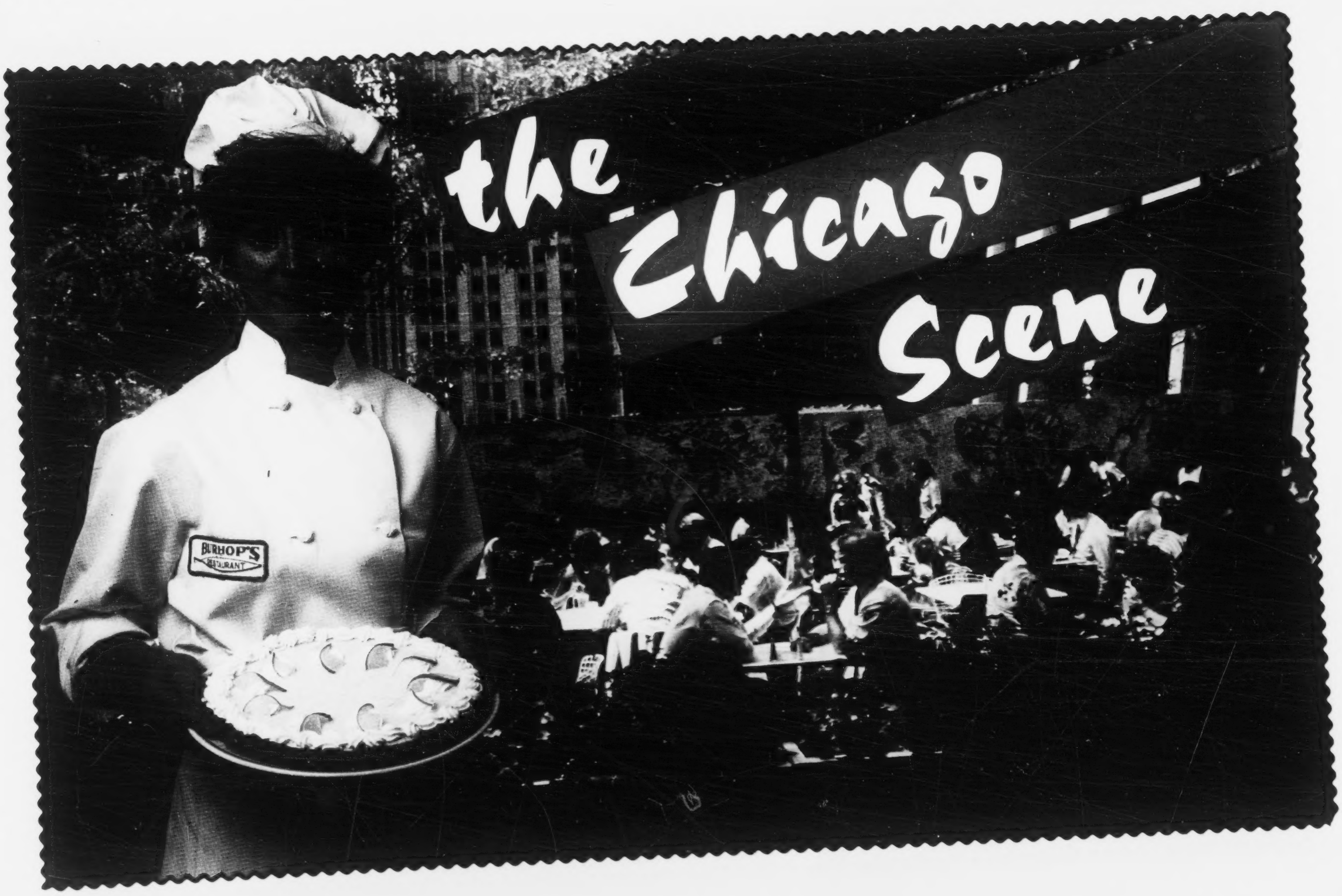

INDUSTRY CONVENES FOR 1990 NRA SHOW

Chicago operators work smarter

Facing each other in one of the most competitive markets in the nation, savvy restaurateurs are slowing expansion, revamping existing operations, and branching into areas that require less capital.

Full report . . . . . Pages 37-78
Restaurant Hit List . . Pages 43-54

Show bigger, better than ever

With a host of new exhibits, technological advances, and an increased international flavor, the 71st Annual Restaurant, Hotel-Motel Show may be the biggest National Restaurant Association show ever.

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New faces at NRA helm

With the annual National Restaurant Show comes a changing of the guard at the top of the 10,000-member trade group. The next generation of leaders is an interesting and varied troika.

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John Farquharson, VP . . Page 74
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Vol. 24, No. 20 May 14, 1990

NEWS BRIEFS

Shoney's operator buys Popeyes franchisee

MACON, Ga. — Restaurant Management Services, a Shoneys franchisee, has acquired Popeyes franchisee Florida Food Industries and, simultaneously, 22 Church's chicken outlets from Al Copeland Enterprises.

Restaurant Management, which operates 35 Shoney's, 13 Captain D's and two Green Jacket restaurants, adds 55 Popeyes units from Orlando, Fla.-based FFI. As part of the agreement with Al Copeland Enterprises, Restaurant Management will convert 17 of the acquired central Florida Church's units to new Popeyes within five years.

Most of FFI's 2,400 employees remain with the new company. FFI's Orlando, Fla., headquarters will be used as a divisional office for Restaurant Management.

Disney opens Mickey's Kitchen

MONTCLAIR, Calif. — The Walt Disney Co. has unveiled its Mickey's Kitchen fast-food prototype — the company's first dining venture outside a theme park — as half of a new, 12,000-square-foot branch of the 50-unit Disney Store retail gift chain.

Replete with 32 animated characters and props in four Disney-themed dining areas, the 177-seat restaurant has served 1,500 to 1,800 customers a day since its April debut, general manager Mike La Rue said. Menu items, priced from 75 cents to $2.95, include Soup-a-Dee-Doo-Dah, Supercalifragi-Chicken Salad, lean-beef Goofy Burgers, a vegetable-and-cheese Pinocchio's Pizza, meatless Mickey Burgers, a peanut-butter-and-jelly P and J Handwich and three Mouseketeer Meal packs.

La Rue said the company expects to evaluate the concept, inside a suburban shopping mall 30 miles east of Los Angeles, for at least one year before developing a freestanding test outlet or expanding to other locations of Disney's rapidly growing retail chain.

Themes of the restaurant's seating areas are Duck Tales; Winnie-the-Pooh country, with its own frozen yogurt bar; Tony's Italian restaurant, from "Lady and the Tramp"; and the Alice in Wonderland tea party.

Congress seeks stiffer child labor fines

WASHINGTON — Confirmation of a sharp rise in child labor law violations has spurred Congress to seek dramatic increases in the penalties levied on employers who violate federal statutes.

Two Democratic Congressmen — Don Pease of Ohio and Charles Schumer of New York — have introduced a bill that would increase some penalties tenfold. A "serious" first-time violation would subject an employer to a fine of $10,000, compared with a current maximum penalty of $1,000. Repeat violations could cost a business $100,000, while infractions resulting in an employee injury could carry a sanction of $250,000.

The lawmakers introduced their bill after releasing a study indicating that the number of illegally employed children leaped 150 percent between October 1983 and the same month of 1989. Drafted by the General Accounting Office, the report attributed the increase in part to a shortage of teen-aged job candidates.

The Labor Department, which is in the midst of a crackdown on child labor law violators, has asserted for some time that the statutes are being broken with greater frequency.

Sizzler licensee forced to sell outlets to company

CHICAGO — A clause in a guaranteed loan has forced a Sizzler franchisee, embroiled in a federal court battle with Sizzler International, to sell 12 of its 21 units to the company.

Sizzler International will pay approximately $3.5 million for the dozen Sizzler units in suburban Chicago operated by Midwest Restaurant Concepts. MRC is an affiliate of FBN Food Services, a nine-unit operator in Chicago with a $25 million breach-of-contract suit against the company.

Tony Basile, president of both franchisee concerns, asserted that Sizzler wrote a letter to his bank, falsely accusing his company of imminent financial collapse, an unfair charge that caused the bank to activate the clause out of fear of losing money.

Thomas Gregory, president of Sizzler, said the company wrote the letter as part of Sizzler's role as the guarantor and had knowledge about Midwest's financial condition the bank should know.

LA schools kill 'junk-food' ban

LOS ANGELES — Faced with a potential $10 million cafeteria budget deficit and the layoffs of 100 food workers, the Los Angeles Unified School District has lifted a 10-year-old ban on the sale of fatty and sugary packaged snacks in school lunch rooms.

The snacks, including potato chips, cookies, sodas and ice cream, are expected to generate sales of several million dollars a year, school board officials said. The board reluctantly authorized the sale of the so-called junk foods in response to rising cafeteria operating costs, reduced federal subsidies and new policies permitting the items to be sold on campus in student-run stores. Ironically, in January California became the first state to mandate limits on fat, saturated fat and cholesterol in meals served at elementary and high schools.

Anti-bacteria radiation use approved by FDA

WASHINGTON — The Food and Drug Administration has approved the use of radiation to kill harmful bacteria in poultry.

The procedure would lessen restaurant patrons' risk of contracting an illnesses from chicken and turkey dishes.

However, poultry processors said they are reluctant to embrace irradiation because some consumers fear that the process itself is harmful. They allege that the radioactive rays which kill bacteria in food can also promote the formation of toxic chemicals.

The FDA has said that those fears are ungrounded.

Bergren exits Round Table Pizza

SAN FRANCISCO — Round Table Pizza Inc. has no immediate plans to replace chairman Scott Bergren, who recently resigned to pursue other interests, a company spokesman indicated.

Doug Rice, communications manager for the 550-unit San Francisco-based pizza chain, said the company was being overseen by president Jim Fletcher. Rice said Round Table's average annual sales per store rose nearly 8 percent, to $545,000, during Bergren's short tenure as chairman.

Bergren, who was promoted from president to chairman in early 1989 following the resignation of Richard Dumke, could not be reached for comment. Fletcher, formerly the chief operating officer of a soft-drink company and part of the start-up management team for Round Table's unsuccessful and short-lived Bonza Tucker chicken chain, was named president when Bergren became chairman.

Old Spaghetti Warehouse settles copycat suit

GARLAND, Texas — Old Spaghetti Warehouse Inc., operator of 13 Italian dinner houses nationwide, has settled two lawsuits brought against it by OSF International, parent company of the Old Spaghetti Factory restaurant chain.

Under the terms of the agreement, OSW agreed to cease using the word "old" in its signs, trade names and service marks and will propose to its shareholders to change its corporate name to The Spaghetti Warehouse Inc.

The company also agreed to display signs on its menu and in the entrance of each store disclaiming any association between OSW's and OSF International's restaurants and remove any mention of "mytzithra" cheese from its menu.

The settlement also calls for OSW to pay OSF International $400,000 in cash. Robert Hawk, president of OSW, said the payment would be covered by insurance and would have no effect on OSW earnings.

FINANCIAL NEWS

McD takes international road for growth opportunites

by Milford Prewitt

OAK BROOK, Ill. — There are nearly three McDonald's restaurants in the United States for every one overseas.

In the precise world of a statistician, the ratio is 2.6 to 1, or as the company reports, 8,289 domestic Golden Arches to 2,916 internationally.

But despite the domestic numerical superiority, sales from the hamburger giant's overseas markets grew more than three times faster than at home and were half of the U.S. systemwide sales output during the first quarter.

Reporting earnings for the quarter ended March 31, McDonald's called attention to its achieving its 100th consecutive quarter of record year-to-year increases in operating results — the first company tracked by the Standard & Poor 500 to have done so.

But what the quarterly report shows more vividly is that the gold mine called McDonald's International is getting richer and richer.

Systemwide sales topped $4.28 billion during the quarter, a 9-percent increase over the year-ago time period. Domestic operations — company, franchisee and affiliates — contributed $2.86 billion to the total for a 5-percent increase.

The overseas outlets' sales volume grew 18 percent, to more than $1.42 billion — about one-half less than the domestic tally.

Even more telling are the comparisons in the rate of sales growth between franchisee and company operations domestic and international.

Company restaurant sales grew a flat 1 percent in the States but 25 percent overseas. Franchisee stores showed a 6-percent gain in domestic sales, but their counterparts overseas basked in a 20-percent rate of sales growth.

Only affiliate operators in the States did better than affiliate operations overseas, turning an 11-percent sales gain vs. a 4-percent increase internationally.

McDonald's major foreign markets
(number of units as of March 31)

	1990	1989
Japan	707	658
Canada	610	574
England	321	290
West Germany	319	298
Australia	244	228
France	115	85
Other	600	506
Total	2,916	2,639

Source: McDonald's Corp.

Analysts note several reasons that explain the stronger rates of McDonald's growth internationally. Among them are access to much larger customer bases, a dearth of competition and higher inflation rates in foreign countries.

But the company attributed the impressive sales gains overseas and in Canada to stronger currency valuations, increased market penetration by existing stores and expansion.

In first-quarter company results, McDonald's made a $158.1 million profit, a 12-percent increase, on revenues of $1.5 billion, for an 11-percent increase. Sales from company operations overseas hit $504.2 million contrasted with $637.2 million at home.

McDonald's five strongest markets outside of the United States — Japan, Canada, West Germany, England and Australia — all reported double-digit sales increases. Some secondary markets — Brazil, France, Spain, Switzerland, Hong Kong and Mexico — also recorded strong sales gains.

The company noted that if exchange rates had remained equal to 1989 levels, systemwide sales would have been $31 million greater.

As was the case with systemwide sales, McDonald's market outside of the United States is also growing faster in store count.

The chain grew by 10 percent outside of the country vs. 4 percent inside. International franchisees added 106 restaurants for a 10-percent rate of growth, while franchisees at home added 364 new stores for a 6-percent increase.

Company outlets at home actually declined 1 percent, to 1,716 outlets, but grew internationally by 99 units, for a 12-percent increase.

"Our growth strategy focuses on three opportunities: adding restaurants, maximizing sales by existing restaurants and improving international profitability," said Jack Greenberg, McDonald's senior executive vice president and chief financial officer, in a statement. "This growth strategy has been in place for quite some time and will support future growth. We will continue to add more than 600 restaurants annually for the next several years."

FOOD PRICE OUTLOOK

Bacon, ham prices may rise

by Patt Patterson

There are fewer pork bellies in storage than had been anticipated, so **bacon** prices probably won't come down for some time. Although farmers have indicated that they plan to step up hog production, the increase doesn't seem to be very steep and there is a strong export demand for bellies, from which bacon is made. Some observers expect bacon prices to move up this spring.

Ham prices are also expected to stay up for some time, particularly for imported hams, which may be in for another rise soon. Imports have been lagging, particularly from Poland. Denmark has been sending us more, but Yugoslavia's shipments have been down. Overall, there were only about 75 percent of the normal imports so far this year. We see no sign of any great change in import volume, at least to summer.

Cheese, as predicted, has started to move up again but earlier than normal. The government's dairy herd reduction program is primarily to blame, with increased demand also playing a part. Some observers expect even more price hikes between now and the end of summer, although that is when ample milk supplies are generally available. Price rises were mainly in Cheddar, although Mozzarella was expected to follow.

Eggs, on the other hand, are down from last year's level and from the seasonal peak they hit just before Easter. **Broiler** prices are trending down to last year's at about this time. However, producers are keeping a lid on hatches, so don't expect any bargains soon.

Look for tighter supplies of Southern peaches this year. A cold wave in late March hit the Carolina, Georgia area hard.

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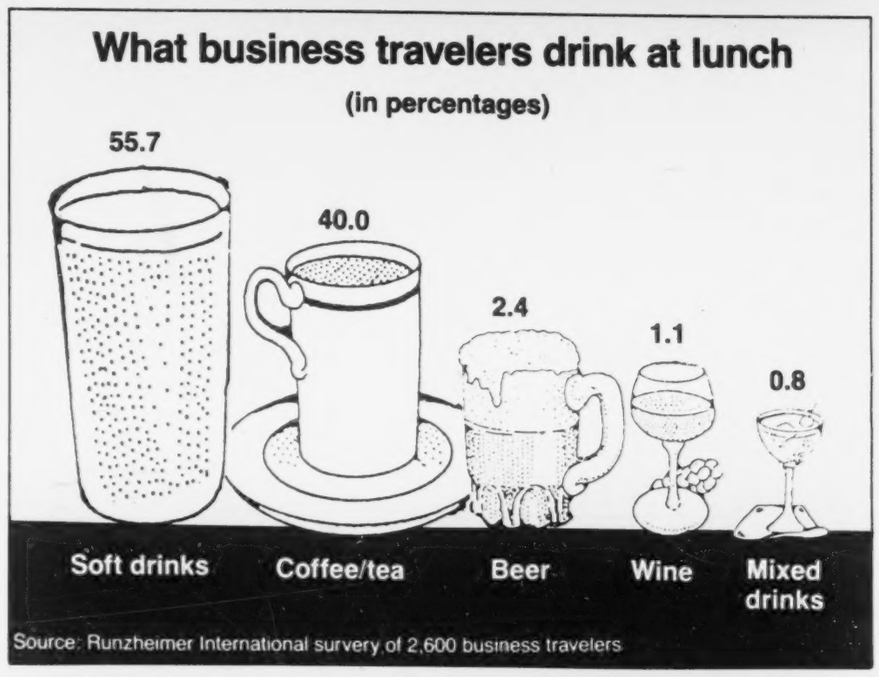

FINANCIAL DIGEST

Tougher rules proposed for going public

WASHINGTON — The Securities and Exchange Commission is reviewing a series of proposed requirements that will make it more difficult for new or small companies to go public.

Ironically, the rules were proposed by the National Association of Securities Dealers, an influential group that has helped thousands of start-up companies market newly issued securities.

The new rules will require higher asset values and higher initial stock prices from companies that want to have their issues listed on NASDAQ, the automated trading system for the over-the-counter market.

Under the proposals, companies launching an initial public offering would need at least $4 million in assets, $2 million more than is currently required, and would mandate a minimum bid price of $3 per share.

Holiday Inns to lay off 600 worldwide

MEMPHIS, Tenn. — Holiday Inns Inc. said it would lay off 600 people worldwide in a move to improve the company's profitability and prepare for expansion.

A division of Bass PLC, Holiday Inns said 450 of the reductions will come from two divisions: The hotel service operation, which is responsible for sales, purchasing and drapery design, will fire 260 people, and the Holiday Clubs sales force of 190 people will be completely disbanded.

In addition, the corporate headquarters staff will be trimmed by 50 persons. Holiday Inns International will similarly lose 80 jobs.

The company stated that the streamlining will allow its U.S. operations to split into company-managed hotels and franchise support services.

Memphis will remain the company's U.S. headquarters.

Hardee's operating earnings jump 81%

ROCKY MOUNT, N.C. — Hardee's Food Systems Inc. said the continued rollout of labor-saving equipment and other cost controls contributed to an 81-percent jump in first-quarter operating earnings, to $6.8 million.

Revenues for the quarter ended March 31 rose 9 percent, to $357.5 million, and systemwide sales increased 10 percent, to $847.2 million. The company said sales were boosted by its new lightly seasoned, curled french fries, the reintroduction of its Big Twin double-burger and a Lenten promotion of fish products.

Meanwhile, the company has completed its acquisition of 648 Roy Rogers restaurants from Marriott Corp. for $365 million. Neither costs of the acquisition nor Roy Rogers figures are included in the first-quarter results.

Montreal-based Imasco Ltd., Hardee's parent, said its first-quarter net earnings increased 23 percent, to $66.6 million (Canadian), on a 15-percent gain in revenues, to $1.41 billion (Canadian). A Canadian dollar is worth about 84 cents U.S.

Fisher trims loss to $1.2 million

ATLANTA — Fisher Business Systems Inc., a producer of restaurant computer systems, narrowed its net losses to $1.2 million in the year ended Jan. 31, an improvement from the $1.8 million deficit in 1989. Revenue, meanwhile, gained 80 percent, to $5.7 million.

During the year Fisher installed its management system in 200 restaurants, including more than 100 Denny's outlets as part of a deal involving 300 Denny's over 30 months.

For the final quarter, the company lost $671,100, compared with a year-ago shortfall of $503,750. The quarter's revenue advanced 138 percent, to $1.5 million.

Newly opened sales offices added to overhead expense in the final quarter, the company said.

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NRA SHOW ISSUE

Nation's Restaurant News®

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

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Operators see red over 'greening'

Restaurateurs support recycling but chafe at blame in solid-waste crisis

by Paul Frumkin with bureau reports

As the dust finally settles on Earth Day 1990, operators across the country are digging themselves out from under an avalanche of environmentally related legislation.

While the national legislative landscape is relatively quiet with regard to "green" issues, scores of bills, amendments, referenda and ordinances at the state and municipal levels are keeping restaurateurs and their associations lobbying long and frustrating hours in local statehouses and city halls.

Although most operators agree that the problem is serious and have broadcast their support for pro-environmental efforts — notably recycling — they resent being singled out because of the industry's high visibility.

"We recognize it [the environment] as a serious issue and want to take responsibility for our part," declared Marcia Harris, executive vice president of the Restaurant Association of Maryland. "But don't single out the restaurant industry. Let's look at the whole problem."

'Green' issues: State by state

See page 7

Clearly, the solid-waste issue has dominated much of the debate in recent months, with dozens of recycling bills and initiatives being championed by well-intentioned lawmakers attempting to deal with the growing mountain of trash and shrinking number of landfills.

"We've seen enormous changes in solid-waste management laws over the past two years," said Denise Lord, director of planning for the Maine Waste Management Agency.

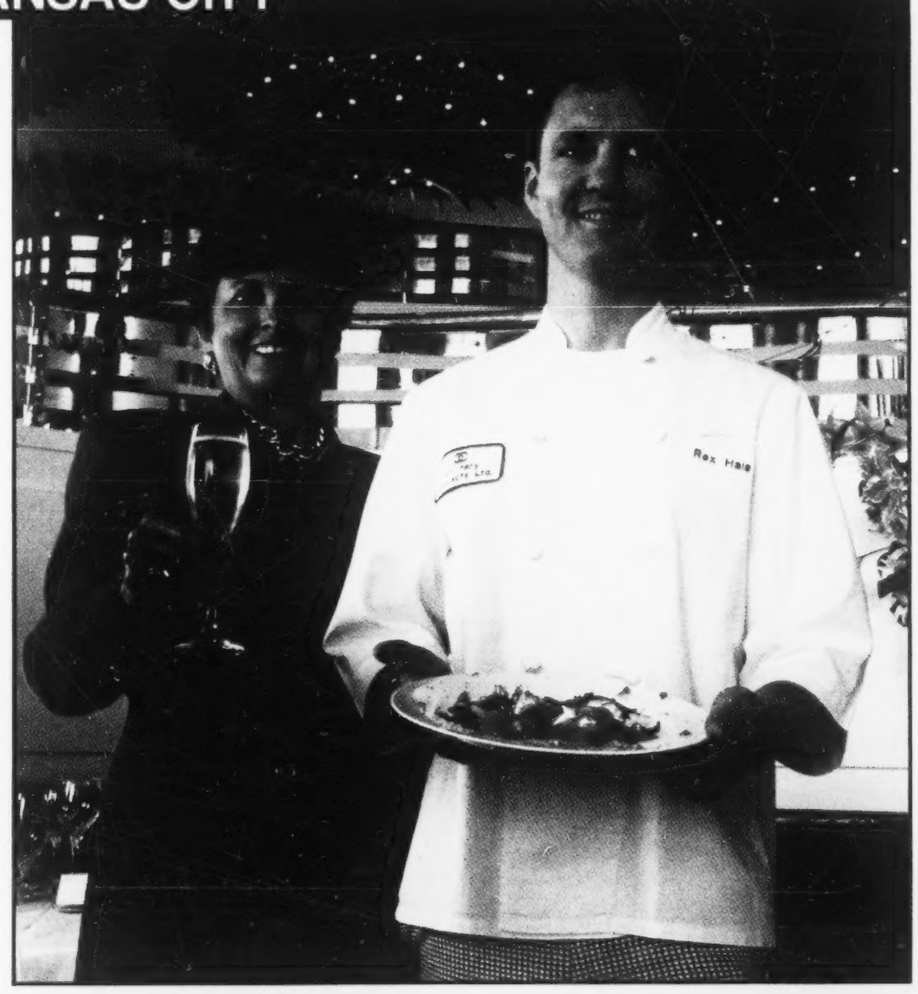
Meanwhile, plastics and the non-biodegradability issue continue to be a thorn in the industry's side. Despite an ongoing effort on the part of the plastics and foodservice industries to battle widespread misinformation, the public continues to target plastic food packaging as a major culprit in the landfill crisis.

*(See **OPERATORS**, page 171)*

UP TO DATE IN KANSAS CITY

The American Restaurant reopens

Unveiled after a four-month overhaul, The American Restaurant in Kansas City appears ready to reclaim its role as a national fine-dining pacesetter. Says Deanna Hormel, at left, president of the Hallmark Cards division that owns the restaurant: 'We are betting there will always be a demand for the finest of dining experiences.' At right is executive chef Rex Hale. (For full report, see page 4.)



Spit-roast chicken concepts take wing

Fired by health, taste, takeout trends

by Jack Hayes

Warmed by the nation's love affair with chicken and nourished by its growing nutritional awareness, a new flock of rotisserie restaurants is hatching from Boston to San Francisco.

Serving birds in combination with an assortment of vegetables, salads and desserts for sit-down and takeout dining, rotisserie chicken concepts are already operating in at least seven states — Georgia, Florida, Massachusetts, Connecticut, Michigan, California and Kentucky.

Using either electric or flame-fired ovens built by domestic and European equipment suppliers, the new rotisserie operators are repopularizing one of the earliest of cooking methods — slowly spit-roasting and basting chicken in its own juices.

The process browns the chicken on the surface while allowing it to retain much of its natural juiciness. Some operators add flavor by marinating the chickens before cooking, while others add seasonings, spices and herbs.

But while the preparation method differs slightly from concept to concept, operators are unanimous in declaring

*(See **ROTISSERIE**, page 172)*

McD, BK leaders share spotlight at MUFSO

MUFSO '90

LOS ANGELES — Edward Rensi, president of McDonald's USA and chief operations officer of McDonald's Corp., and Barry Gibbons, president and chief executive of Burger King Corp., will be the headline speakers Tuesday, Oct. 2, at Nation's Restaurant News' 31st annual Multi-Unit Foodservice Operators (MUFSO) conference in the Century Plaza Hotel.

Rensi, McDonald's leading executive spokesman on key industry issues, has been adamant in his commitment to find solutions for solid-waste problems and in his defense of McD against attacks by health and nutritional groups. He has seized the initiative on these issues and emphasized McD's strengths in each area.

Gibbons, who became BK president in January 1989 after Grand Metropolitan of London's acquisition of then-BK

*(See **MUFSO '90**, page 4)*

INSIDE

Fast feeders look toward healthful fare
Marketing/Page 12

Antidote for customer rebellion
Charles Bernstein/Page 53

IFMA honors Silver Platers
Focus/Page 56

Foodservice backs family-leave veto

by Peter Romeo

WASHINGTON — President Bush has pledged to veto pending legislation that would require restaurateurs and other employers to grant 12-week leaves to employees contending with a birth, death or serious illness in their families.

Although the staffers would not be paid during their absences, their health benefits would be maintained at the employer's expense. In addition, the employees would be entitled to their former jobs or comparable positions when they decided to resume working.

A national family-leave law would cost employers $330 million during the first year following enactment, according to the General Accounting Office, Congress' quasi-independent watchdog agency.

The foodservice industry has bitterly opposed family leave legislation because even

*(See **FAMILY**, page 169)*